

**SOUTH CAROLINA
REVENUE AND FISCAL AFFAIRS OFFICE
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

August 21, 2020

Members of the Board
South Carolina Revenue and Fiscal Affairs Office
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Revenue and Fiscal Affairs Office (the Office), on the systems, processes and behaviors related to financial activity of the Office for the fiscal year ended June 30, 2019. The Office's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Office. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Office has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

This report is intended solely for the information and use of the governing body and management of the South Carolina Revenue and Fiscal Affairs Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

South Carolina Office of the State Auditor
Agreed-Upon Procedures - South Carolina Revenue and Fiscal Affairs Office (E50)

Cash Receipts/Revenues

1. Compare current year revenues at the fund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain from management an understanding of variations over \$75,000 and 10%.
2. Randomly select fifteen cash receipts transactions and inspect supporting documentation to:
 - Ensure supporting documentation for transaction agrees with the general ledger as to amount, date, payor, document number, and account classification.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2019 Appropriation Act.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
 - Determine that receipts are recorded in the proper fiscal year.

Finding

A portion of one of the fifteen receipt transactions inspected was not deposited timely in accordance with state and Office weekly depositing policy.

Management's Response

The Office concurs with the finding. Management has reiterated the importance of timely deposits to staff responsible for cash receipts.

Cash Disbursements/Non-Payroll Expenditures

3. Compare current year non-payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations over \$50,000 and 10%.
4. Haphazardly select fifteen non-payroll disbursements and inspect supporting documentation to determine:
 - The transaction is properly completed as required by Office procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Office procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Office.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.
5. Haphazardly select five purchasing card transactions from the Office of the State Comptroller General (CG) listing of purchasing card transactions for fiscal year 2019 and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Office policies.
 - The purchase is authorized based on the cardholder's job title/position.

Cash Disbursements/Non-Payroll Expenditures (Continued)

- The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
- The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

We found no exceptions as a result of the procedures, except as identified in the Assets and Personal Property section of the report.

Payroll

6. Compare current year payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations over \$50,000 and 10%.
7. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of variations greater than 10%.
8. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of variations greater than 10%.
9. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Office's policies and procedures, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
10. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Office's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
11. Haphazardly select two bonus pay disbursements to determine:
 - The employee does not make more than \$100,000 annually.
 - The bonuses received during the year did not exceed \$3,000.
 - The payment amount agreed to supporting documentation and the bonus was given for proper reason in accordance with Office policy.
 - The bonus pay was approved by the appropriate supervisor.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

12. Haphazardly select four journal entries and one transfer for the fiscal year to:
 - Trace postings to the general ledger, confirming amounts agree with supporting documentation.
 - Confirm transaction is properly approved.
 - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedures.

Reporting Packages

13. Obtain copies of fiscal year end reporting packages submitted to the CG. Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were submitted by the due date established by the CG's Reporting Policies and Procedures Manual.

Reporting Packages (Continued)

14. In addition to the procedure above, perform the following:

- **Other Receivables Reporting Package**

Haphazardly select three items comprising the current/existing balance and determine if reported amounts are accurate based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Reporting - Accounts Receivable Current with Customer report and/or Office prepared records.

- **Prepaid Expenses Reporting Package**

Determine if amounts agree to the SCEIS Yearend Reporting - Prepaid Expenses report and/or Office prepared records. In addition, select all reported prepaid expenses to determine if the amounts were properly classified, calculated and reported based on inspection of the SCEIS general ledger and invoices.

- **Operating Leases Reporting Package**

Confirm that the Office submitted copies of leases to the CG in accordance with the CG's Reporting Package Instructions. Additionally, agree applicable effective lease dates and future minimum lease payments on the Future Minimum Payment Schedule to the prior year Schedule. Inspect any changes to determine if the effective lease dates and future minimum payments were properly calculated and reported in the Future Minimum Payment Schedule.

- **Fund Balance Reporting Package**

Determine if responses and any related supplemental information are reasonable/accurate based on inspection of the SCEIS general ledger, invoices, and/or Office prepared reports/spreadsheets.

- **Subsequent Events Questionnaire**

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Office prepared records.

Finding

Calculation discrepancies were encountered with two of the prepaid expenses reported. Based on the supporting invoices, one reported prepaid expense balance was overstated by approximately \$2,400. On another, the current prepaid expense balance was understated, and non-current balance was overstated, by approximately \$1,700.

Management's Response

The Office will continue to strengthen its review process of purchases that may include a prepaid aspect.

Assets and Personal Property

15. Haphazardly select three capital asset acquisitions and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine that each asset was properly capitalized and posted to the general ledger as to amount and account and assigned the proper useful life in accordance with the CG's Reporting Policies and Procedures Manual.

Assets and Personal Property (Continued)

16. Haphazardly select three capital asset retirements and inspect supporting documentation, and the SCEIS Asset History Sheet, to determine that each asset was approved for removal, and that the asset was properly removed from the Office's books/general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
17. Confirm that an inventory of Office property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

Finding

An amount of approximately \$6,700, which was inspected in the Cash Disbursements/Non-Payroll Expenditures section, was improperly excluded from the cost basis of two of the acquisitions inspected.

Management's Response

Finance staff will consult with Information Technology staff to ensure the proper recording of assets which are acquired.

Appropriation Act / Office-Specific Provisos

18. Confirm that the Office submitted to the State Human Affairs Commission employment and filled vacancy data by race and sex by October thirty-first of the fiscal year in accordance with Proviso 117.13 of the fiscal year 2019 Appropriation Act.
19. Confirm compliance with fiscal year 2019 Office-specific state provisos, 102.3, 102.5, and 102.7, by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

Status of Prior Finding

20. Through inquiry and inspection, determine if the Office has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We found no exceptions as a result of the procedures.